TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 518 – SB 601

March 13, 2018

SUMMARY OF ORIGINAL BILL: Requires the Commissioner of the Department of Health (DOH), on or before January 15, 2018, to study and report on recommendations for legislation concerning telehealth and telemedicine to the Health Committee of the House of Representatives and the Health and Welfare Committee of the Senate.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (014215): Deletes all language after the enacting clause. Authorizes the use of real-time, interactive audio, video telecommunications or electronic technology, or store-and-forward telemedicine services by a healthcare services provider to deliver healthcare services to a patient within the scope of practice of the healthcare services provider when the patient is located at the patient's residence or place of employment if equipped to engage in telecommunications.

Allows remote patient monitoring telemedicine services at a qualified site, a school or clinic, a public elementary or secondary school, a patient's residence, or patient's place of employment. Defines "remote patient monitoring telemedicine services" for purposes of the amended legislation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Exceeds $29,320,600

Increase Federal Expenditures – Exceeds $50,926,900

Increase Local Expenditures – Exceeds $218,900*

Other Fiscal Impact – Due to multiple unknown factors, any future savings to state and local government expenditures cannot be quantified with reasonable certainty.

Assumptions for the bill as amended:

- Based on information provided by the Division of TennCare (Division), the proposed legislation will lead to increased utilization and an increase in expenditures due to an originating facility fee.
- It is estimated the increase in utilization will result in a 1.5 percent increase of all medical spend. The projected medical spend for FY18-19 is $4,919,873,600. The increase in expenditures related to the increased utilization is estimated to be $73,798,104 ($4,919,873,600 x 1.5%).
- The Division has approximately 1,400,000 enrollees and it is estimated an originating facility fee of $5.00 will be assessed. For this analysis, it is assumed at least 50 percent of enrollees would opt to use telehealth at least once a year. The increase in expenditures related to originating fees is estimated to exceed $3,500,000 (1,400,000 x 50% x $5.00 origination fee).
- The total increase in expenditures for the Division is estimated to be $77,298,104 ($73,798,104 + $3,500,000).
- Medicaid expenditures receive matching funds at a rate of 65.858 federal funds to 34.142 in state funds. Of the $77,298,104, $26,391,119 ($77,295,104 x 34.142%) will be state funds and $50,906,985 ($77,298,104 x 65.858%) will be in federal funds.
- Assuming at least 50,000 enrollees take advantage of telehealth at an average cost of $43.65 per claim, the increase in expenditures is estimated to exceed $2,182,500 in FY18-19 (50,000 x $43.65).
- The increase in origination fees is estimated to exceed $250,000 (50,000 enrollees x $5.00 origination fee).
- The total increase in expenditures is estimated to exceed $2,432,500 ($2,182,500 + $250,000).
- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in a recurring increase in state expenditures of $1,946,000 ($2,432,500 x 0.80).
- According to Benefits Administration, the state contributes 45 percent of instructional staff premiums (75 percent of Local Education Plan members) and 30 percent of support staff members premiums (25 percent of Local Education Plan members) resulting in a recurring increase in state expenditures of at least $1,003,406 [($2,432,500 x 0.75 x 0.45) + ($2,432,500 x 0.25 x 0.30)].
- According to Benefits Administration, some state plan members' insurance premiums are funded through federal dollars. It is estimated 0.82 percent of the state share of the state plan is funded with federal dollars, resulting in an increase in federal expenditures estimated to exceed $19,947 ($2,432,500 x 0.82%).
- The total recurring increase in state expenditures through Benefits Administration is estimated to exceed $2,929,459 ($1,946,000 + $1,003,406 - $19,947).

- The total increase in state expenditures as a result of this legislation is estimated to exceed $29,320,578 ($26,391,119 + $2,929,459).
- The total increase in federal expenditures as a result of this legislation is estimated to exceed $50,926,932 ($50,906,985 + $19,947).
- It is estimated the Local Government Plan would be responsible for a mandatory increase in local expenditures estimated to exceed $218,925 ($2,432,500 x 9.0%).
- It is unknown the impact on local governments that do not opt into the Local Government Plan; therefore, the total increase in local expenditures is estimated to exceed the $218,925.
- The Department of Commerce and Insurance can accommodate the proposed legislation utilizing existing resources without an increased appropriation or reduced reversion.
- Due to multiple unknown factors, any state and local savings resulting from the proposed legislation are not quantifiable at this time.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue – Exceeds $80,466,400

Increase Business Expenditures – Exceed $80,466,400

Assumptions for the bill as amended:

- Healthcare providers will experience an increase in business revenue for providing telehealth services estimated to exceed $80,466,435 ($29,320,578 + $50,926,932 + $218,925) in FY18-19 and subsequent years.
- The estimated increase in business expenditures is estimated to exceed $80,466,435 in FY18-19 and subsequent years.
- For companies to retain solvency, any increased expenditures will be less than the amount of increased revenue collected.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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